



Legal Office
P.O. Box 942707
Sacramento, CA 94229-2707
(916) 795-3797, FAX (916) 795-3659

September 11, 2006

AGENDA ITEM 4

TO: MEMBERS OF THE AD HOC BOARD GOVERNANCE COMMITTEE

- I. SUBJECT:** Employer Reimbursement Policy
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Defer to the Committee
- IV. ANALYSIS:**

In February of 2004 the Board adopted revisions to its policy for reimbursement to state, school and public agency employers of Board members. The policy was revised to implement the provisions of Government Code section 20092 as amended effective January 1, 2004. The policy requires certification by both the employer and the Board member as to the amount of reimbursement. A copy of the Board's policy is attached.

At the May 15, 2006 meeting, the Committee members expressed concern that the current policy may not provide enough accountability and transparency. The Committee would like to ensure that the current process is fair and reasonable and that the documentation currently submitted would withstand an audit. Staff was directed to have the Office of Audit Services review the current policy and reporting requirements along with the recent submissions from employers. Staff was directed to provide suggested revisions or alternatives to the policy and/or its implementation, as appropriate.

The following is presented for the Committee's review and approval.

Proposed Process

To improve transparency and accountability, staff recommends revisions in two main areas of the current policy:

- Enhancing reports of time spent carrying out Board duties
- Streamlining the approval process

Under the proposed procedure, elected Board members whose employers seek reimbursement for a replacement would record time spent on various categories

of Board duties on a monthly basis, instead of a simple percentage of full-time hours as is currently done.

Based on past studies and staff's analysis, we propose Board members use a baseline of 105 hours per month (equating to approximately 25 hours per week) to account for the necessary scope of duties common to all elected members. We also recommend a baseline for certain additional Board roles and responsibilities, including Board President and Committee and Subcommittee Chairs. The baseline represents the "routine" activities of Board members. Other activities would be recorded and documented by the Board members in the categories shown in the table below. (Table 1.)

TABLE 1

Category	Hours/Month
Board and Committee meeting preparation and attendance	105 (routine)
Serving as President of the Board	46 (routine)
Serving as Chair of a Standing Committee	9 (routine)
Serving as Chair of Ad Hoc or Subcommittee	6 (routine)
Attending workshops, conferences and other educational events	As documented
Representing CalPERS at meetings with government officials, or members of the investment or pension community or other outside groups	As documented
Approved travel as needed for the above activities	As documented
Attendance at CalPERS staff functions	As documented
Other duties as assigned by Board President	As documented
Other non-routine activities (<i>charges to this category require Board approval</i>)	As documented
TOTAL Monthly Hours	

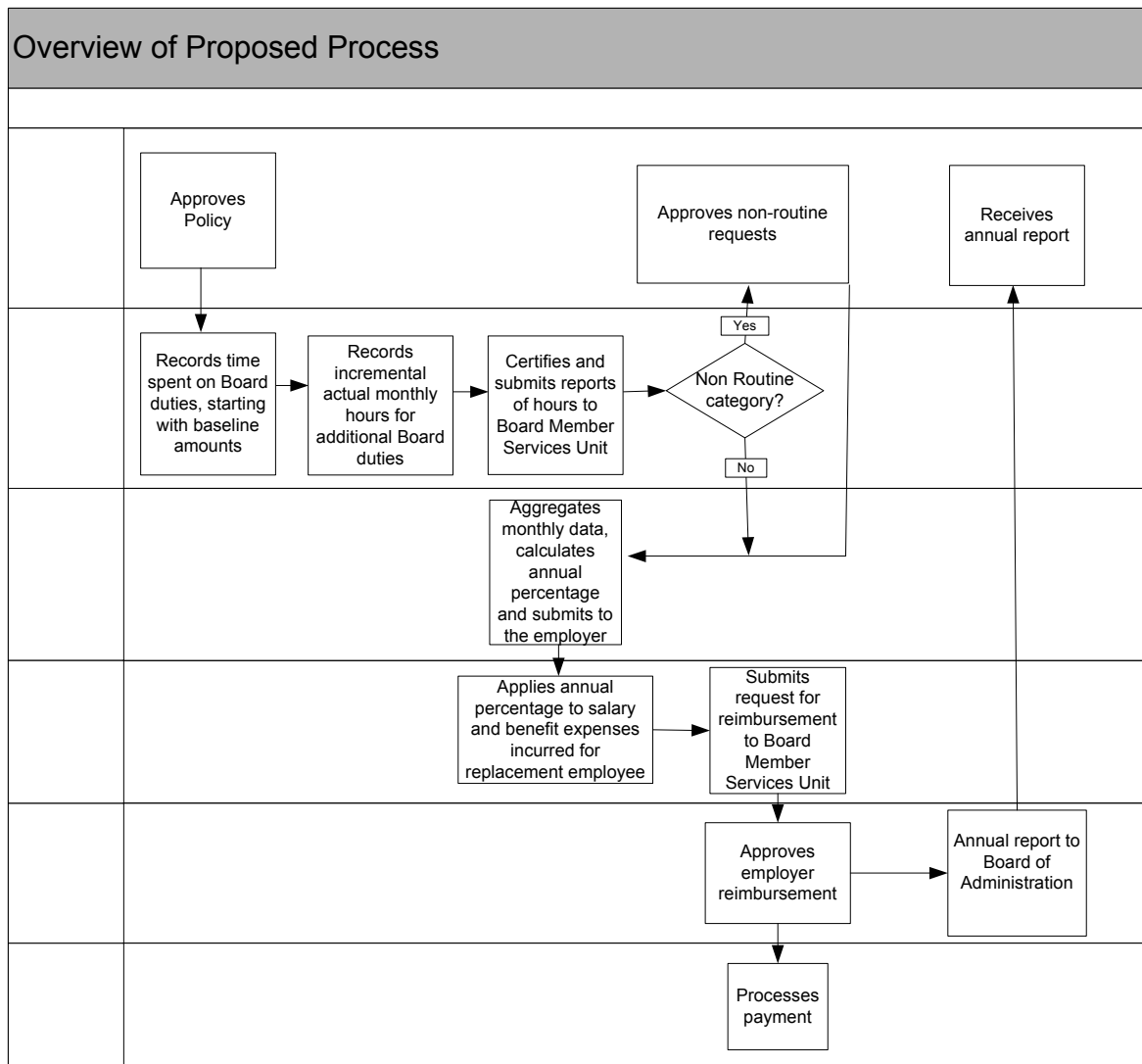
Staff also proposes a revised process for submission and approval of reimbursement requests. The Board Member Services Unit would review the request and take on the responsibility of calculating the full-time equivalent percentage of annual hours, and would submit this to the Board members' employers directly on an annual basis. The unit would apply the baseline amounts as well as documented hours for workshops, travel, and other routine functions as set forth in Table 1. In addition, instead of presentation of reimbursement requests to the Benefits and Program Administration Committee, the Executive Office would approve the employer's requests for reimbursement. This approval process would be the procedure for all standard time reporting.

However, in the case of an unusual or non-routine category or amount of time requested, the Board Member Services Unit would elevate the report to the Board of Administration for approval before forwarding to the employer.

We also recommend establishment of two new information reports to further promote transparency and accountability. First, we propose the Executive Office submit an annual information report to the Board of Administration that summarizes the information on the monthly reports submitted by Board members. Second, the Board Member Services unit, working with the elected Board members, would prospectively notify employers regarding reimbursement with a report of hours anticipated to be required by the Board member for Board duties in the coming year.

We believe the recommended reporting that correlates time to specific activities, and the streamlined approval and processing of time reports, in combination with the proposed Board oversight role, provide a sound framework for transparency and accountability.

The chart following graphically depicts the proposed process.



Alternatives

In considering alternatives, staff concluded that extremely detailed hourly timesheets would be excessively burdensome, and in the past have proved unworkable. The proposed process is meant to strike a reasonable balance by starting with well-supported baseline amounts. Board members need only track hours for activities over and above the baselines in the categories shown in Table 1. The member would record at a broad level the amounts of time spent at each activity, for example, monthly aggregates of major activities. Board members would also be expected to submit supporting documentation with the time reports. In the event of an audit, it may also be advisable to have available Board meeting calendars, travel records, and Board appointment records for review. Auditors would also likely perform analytical review procedures such as reasonableness comparisons.

Advantages and Disadvantages

The proposed revisions to the Board's policy and process would result in much improved transparency, accountability, and auditability. The new process may require an increase in record-keeping on the part of the elected Board members, but with travel records, board meeting calendars, and individual's appointment calendars, many of these records are most likely already being kept.

V. STRATEGIC PLAN:

This project supports Goal II of the 2005 Strategic Plan Goals which calls for CalPERS, as an organization, to "foster an environment that values quality, respect, diversity, integrity, openness, communication and accountability."

VI. RESULTS/COSTS:

Memorializing the Board's employer reimbursement policy will improve the efficiency of Board operations.

PETER H. MIXON
General Counsel

